

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 OMB-01 DHA-02 SSM-03 ACDA-07
OES-07 HEW-04 LAB-04 SIL-01 EB-08 CU-04 /123 W
-----012623 230704Z /17

R 221515Z AUG 77
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 7891
AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TUNIS
AMCONSUL JERUSALEM
USMISSION USUN NY

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E.O. 11652: N/A
TAGS: IS, XF, PDEV
SUBJECT: ARAB FUNDS FOR OCCUPIED TERRITORIES APPROVED BY ISRAEL

REF: A. TEL AVIV 3408, B. TEL AVIV 6048

SUMMARY: THE GOI HAS GIVEN ITS APPROVAL TO TRANSFERS
OF ARAB AID TO THE WEST BANK AND GAZA STRIP AND WILL
ADD A TWENTY PERCENT "INCENTIVE" OR "SHARE" TO PROJECT
FUNDS EXCHANGED AT THE LEGAL RATE. LITTLE FUNDS HAVE
BEEN RECEIVED AS YET. CONDITIONS FOR THE APPROVAL
(PROJECTS MUST BE APPROVED BY THE MILITARY GOVERNMENT;
FUNDS MUST BE EXCHANGED AT THE LEGAL RATE; THE FUNDS
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MUST HAVE NO PLO CONNECTIONS) ARE SUCH AS TO ENSURE
ISRAEL A LEADING ROLE IN DETERMINING THE DISPOSITION
OF FUNDS, WHICH MAY BE USED TO HELP UNDERWRITE THE
NEW POLICY OF EQUAL RIGHTS/EQUAL SERVICES. END
SUMMARY.

1. THE FOREIGN MINISTRY'S REPRESENTATIVE TO THE AD-

MINISTRATION OF THE TERRITORIES (GONEN) HAS TOLD US THAT DEFENSE MINISTER EZER WEIZMAN HAS GIVEN APPROVAL FOR THE MUNICIPALITIES IN THE WEST BANK AND THE GAZA STRIP TO BRING IN CAPITAL DEVELOPMENT FUNDS PLEDGED BY THE ARAB STATES. ISRAELI STIPULATIONS ARE THAT THE DEVELOPMENT PROJECTS FOR WHICH THE MONIES ARE TO BE USED MUST BE APPROVED BY THE MILITARY GOVERNMENT AND THAT THE HARD CURRENCY BROUGHT IN BE EXCHANGED FOR ISRAELI POUNDS AT THE CURRENT RATE. (THAT THE PLO MUST NOT BE ASSOCIATED WITH ANY SUCH ARAB AID IS ALSO AN ISRAELI CONDITION--SEE REFTEL A AND PREVIOUS.) MOREOVER, AS "INCENTIVE"(MINISTER OF FINANCE ERLICH'S TERM) FOR THE MUNICIPALITIES, THE ISRAELIS WILL CONTRIBUTE AN EXTRA TWENTY PERCENT (IN ISRAELI POUNDS) AS THEIR "SHARE" IN THE PROJECTS. GONEN ALSO SAID THERE HAS NOT BEEN ANY SIGNIFICANT AMOUNT OF FUNDS YET BROUGHT IN BY THE MAYORS.

2. ONE PLEDGE ALREADY MADE GOOD, THAT OF TWO MILLION DOLLARS FROM THE UAE'S SHEIKH ZAID TO GAZA MAYOR SHAWWA, IS ON DEPOSIT IN AMMAN AND WILL BE BROUGHT OVER BIT BY BIT, AS PROJECTS WARRANT, MAYOR SHAWA HAS TOLD US. HE ADDED THAT WEIZMAN GAVE HIM PERSONAL ASSURANCES THAT THE TWENTY PERCENT "SHARING"ARRANGEMENT WILL STAND FOR ANY OTHER MONIES THE ARABS GIVE HIM.

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3. THERE HAVE BEEN REPORTS IN RECENT DAYS, NOTABLY BY YEHUDA LITANI OF HAARETZ (BASED ON SOURCES IN THE MILITARY GOVERNMENT) THAT THE "EQUALIZATION OF SERVICES" FOR WEST BANK AND GAZA ARABS IS TO BE FINANCED BY MORE EFFICIENT TAX COLLECTION AND BY FUNDS DONATED TO THE TERRITORIES FROM THE ARAB STATES.

4. COMMENT: ONE OBVIOUS PURPOSE OF THE ISRAELI "SHARING"SCHEME, AT LEAST AS FAR AS GAZA IS CONCERNED, IS THAT IT CIRCUMVENTS A REQUIREMENT THAT CURRENCY EXCHANGES BE MADE ONLY AT THE LEGAL RATE. (ON THE WEST BANK, THE ISRAELIS PERMITTED PRIVATE MONEY CHANGERS TO CONTINUE BUSINESS AS THEY HAD DONE UNDER JORDANIAN STATUTES.) A NO LESS OBVIOUS ISRAELI PURPOSE IS TO ESTABLISH A CLAIM TO A ROLE AS "CO-DONOR," A ROLE COMPLEMENTARY TO THAT OF ARBITER REGARDING THE ACCEPTABILITY OF MUNICIPAL PROJECTS. OUR GUESS IS THAT THE DECISION TO TOP OFF ANY ARAB FUNDS WITH AN EXTRA TWENTY PERCENT WILL NOT LEAD TO INCREASED ISRAELI EXPENDITURES IN THE OCCUPIED TERRITORIES--OVER AND BEYOND WHAT THEY ALREADY ARE SPENDING. RATHER,

FUNDS WOULD PROBABLY BE RECHANNELED, IF NECESSARY,
FROM MILGOV BUDGETARY SUPPORT FOR THE MUNICIPALITIES
TO SHARED PROJECT COSTS.

5. IT MAY BE USEFUL TO REMEMBER THAT THE ISRAELIS
HAVE, FROM THE OUTSET (TEL AVIV 2843), DOUBTED THAT
ARAB AID WOULD MATERIALIZE. SOME BUT NOT MUCH HAS
BEEN TRANSFERRED AS YET. IF THE ARABS EVER NEED A
PRETEXT TO WELSH ON THEIR AID PROMISES, THE ISRAELIS
HAVE PROVIDED ONE WITH THE EQUALIZATION OF SERVICES"
POLICY STATEMENT.
LEWIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, WEST BANK, MILITARY OCCUPIED AREAS
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Format: TEL
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